

GREATER GIYANI MUNICIPALITY



FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

GREATER GIYANI MUNICIPALITY

INDEX

CERTIFICATION AND APPROVAL BY THE ACCOUNTING OFFICER	PAGE 1
STATEMENT OF FINANCIAL POSITION	PAGE 2
STATEMENT OF FINANCIAL PERFORMANCE	PAGE 3
CHANGES IN NET ASSETS	PAGE 4
CASHFLOW STATEMENT	PAGE 5
NOTES	
* Note 1 - ACCOUNTING POLICY	PAGE 6
* Note 2 - RESERVES	PAGE 21
* Note 3 - ACCUMMULATED SURPLUS/ (DEFICIT)	PAGE 21
* Note 4 - BANK OVERDRAFT	PAGE 21
* Note 5 - TRADE AND OTHER PAYABLES	PAGE 21
* Note 5 - UNSPENT CONDITIONAL GRANTS	PAGE 21
* Note 6 - PROPERTY, PLANT & EQUIPMENT	PAGE 22
* Note 7 - SHORT TERM INVESTMENT	PAGE 23
* Note 8 - INVENTORY	PAGE 23
* Note 9 - CONSUMER DEBTORS	PAGE 24
* Note 10 - OTHER RECEIVABLES	PAGE 26
* Note 11 - CASH AND CASH EQUIVALENTS	PAGE 26
* Note 12 - PROPERTY RATES	PAGE 27
* Note 13 - SERVICE CHARGES	PAGE 27
* Note 14 - INTEREST ON OUTSTANDING DEBTORS	PAGE 27
* Note 15 - GOVERNMENT GRANTS AND SUBSIDIES	PAGE 28
* Note 16 - OTHER REVENUE	PAGE 30
* Note 17 - EMPLOYEE RELATED COSTS	PAGE 31
* Note 18 - FINANCE COST	PAGE 33
* Note 19 - CONTRACTED SERVICES	PAGE 33
* Note 20 - GENERAL EXPENSES	PAGE 33
* Note 21 - CORRECTION OF ERRORS	PAGE 34
* Note 22 - ADDITIONAL DISCLOSURES	
* Note 22.1 - PAYROLL RELATED DISCLOSURES	PAGE 35
* Note 22.2 - AUDIT FEES	PAGE 36
* Note 22.3 - VALUE ADDED TAX (VAT)	PAGE 36
* Note 22.4 - DISCLOSURES CONCERNING COUNCILLORS	PAGE 37
* Note 22.5 - DEBTS BY GOVERNMENT INSTITUTIONS	PAGE 37
* Note 23 - CASH GENERATED BY (UTILISED IN) OPERATIONS	PAGE 38

GREATER GIYANI MUNICIPALITY

CERTIFICATION AND APPROVAL BY THE ACCOUNTING OFFICER

CERTIFICATION AND APPROVAL BY THE ACCOUNTING OFFICER

I, the undersigned, ZONDI SILENCE MAKHUBELE, am responsible for the preparation of these annual financial statements which are set out on pages 2 - 38, in terms of section 126(1) of the Municipal Finance Management Act, and which I have signed on behalf of the municipality,

and,

further certify that the remuneration of councillors (as disclosed in note 17.3) is in accordance with the Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination of the upper limits of the salaries, allowances and benefits as promulgated annually.

ZS MAKHUBELE
MUNICIPAL MANAGER

DATE

GREATER GIYANI MUNICIPALITY

STATEMENT OF FINANCIAL POSITION as at 30 June 2008

	Note	2008 R	2007 R
NET ASSETS & LIABILITIES			
Net Assets		22 430 624	37 692 529
Government grant reserve	2	225 227	296 350
Accumulated surplus/(deficit)	3	22 205 397	37 396 178
Non-current liabilities		0	0
Current liabilities		44 652 599	21 192 623
Bank Overdraft	4	4 518 753	967 740
Trade and other payables	5	37 655 092	20 224 883
Unspent conditional grants and receipts	5	2 478 754	0
Total Net Assets and Liabilities		67 083 223	58 885 151
ASSETS			
Non-current assets		26 801 032	20 198 891
Property, plant & equipment	6	26 801 032	20 198 891
Current assets		40 282 190	38 686 260
Short-term investments	7	157 069	915 046
Inventory	8	1 032 285	0
Consumer debtors	9	2 516 519	3 578 792
Other debtors - (Water function)	10	33 359 342	32 118 580
Other receivables	10	2 716 488	1 898 530
Cash and cash equivalents	11	500 487	175 312
Total Assets		67 083 223	58 885 151

GREATER GIYANI MUNICIPLITY

**STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2008**

		Actual	
		2008	2007
		R	R
REVENUE			
	Note		
Property rates	12	1 690 778.28	1 457 192.44
Service charges:			
Refuse Removal	13	2 435 699.32	1 810 815.54
Sewerage	14	716 177.06	-
Rental of facilities and equipment		195 605.12	320 385.02
Investment Revenue – external investments		231 612.29	227 839.64
Fines		161 895.27	229 345.78
Licenses and permits		2 318 816.55	2 291 227.10
Income for agency services		502 610.20	557 542.11
Government grants and subsidies received - operating	15	48 183 915.73	46 602 933.00
Government grants and subsidies received - capital	15	10 869 340.85	10 694 771.15
Other grants & subsidies	15	4 181 565.61	10 847 855.30
Other revenue	16	617 309.16	702 049.96
Gain on disposal of property, plant and equipment		598 948.66	-
Total Revenue		72 704 274.10	75 741 957.04
EXPENDITURE			
Employee related costs	17	39 245 804.26	34 916 063.70
Remuneration of councillors	17	11 225 289.79	9 694 239.90
Bad debts		7 431 435.74	9 428 100.00
Depreciation		1 471 956.68	1 345 222.10
Repairs and maintenance		1 219 323.00	1 250 641.82
Finance cost	18	314 050.05	72 194.57
Contracted services	19	3 034 018.38	2 085 083.22
General expenses (including abnormal expenses)	20	32 436 085.98	36 875 384.27
Total Expenditure		96 377 963.88	95 666 929.58
Surplus/(deficit) for the year		-23 673 689.78	-19 924 972.54
NET SURPLUS/(DEFICIT) FOR THE YEAR		-23 673 689.78	-19 924 972.54

GREATER GIYANI MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
for the year ended 30 June 2008

	Capitalization Reserve	Government Grant Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
2007				
Opening balance	27 884 479	-	16 357 377	44 241 856
Correction of error (note 22.1)			(7 282 386)	(7 282 386)
Correction of error (note 22.2)	(27 884 479)	-	27 884 479	-
Correction of error (note 22.2)	-	-	3 390 858	3 390 858
Correction of error (note 22.4)			27 997 037	27 997 037
Correction of error (note 22.4)			-10 729 864	-10 729 864
Restated balance	-	-	57 617 501	57 617 501
Net surplus for the year	-	-	(19 924 973)	(19 924 973)
Property, plant and equipment purchases	-	355 620	(355 620)	-
Offsetting of depreciation	-	(59 270)	59 270	-
Balance at 30 June 2007	-	296 350	37 396 178	37 692 529
2008				
Opening balance	-	296 350	37 396 178	37 692 529
Net surplus for the year	-	-	(23 673 690)	(23 673 690)
Other income/expenditure	-	-	1 032 285	1 032 285
Property, plant and equipment purchases	-	-	7 379 500	7 379 500
Offsetting of depreciation		(71 123)	71 123	-
Balance at 30 June 2008	-	225 227	22 205 397	22 430 624

GREATER GIYANI MUNICIPALITY

CASH FLOW STATEMENT for the year ended 30 June 2008

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipted from ratepayers, government and other		62 413 546	79 823 191
Cash paid to suppliers and employees		(63 700 545)	(77 895 736)
Cash generated from / (utilised in) operation	23	(1 287 000)	1 927 455
Interest paid	18	(314 050)	(72 195)
Interest received		231 612	227 840
Transfers to reserves (land & buildings)		7 379 500	-
Transfers to reserves (inventory)		1 032 285	-
Net cash from operating activities		7 042 348	2 083 100
CASH FLOW FROM INVESTMENT ACTIVITIES			
Purchase of property, plant and equipment		(8 405 798)	(355 620)
Proceeds on disposal of property, plant and equipment		930 649	-
(Increase)/decrease in investments		757 977	(61 436)
Net cash from investment activities		(6 717 172)	(417 056)
CASH FLOW FROM FINANCING ACTIVITIES			
		-	-
Increase/(decrease) in cash and cash equivalents		325 175	1 666 044
Cash and cash equivalents at beginning of the year		175 311.73	9 268
Cash and cash equivalents at end of the year		500 487.13	1 675 312

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

1. ACCOUNTING POLICY

1.1 OBJECTIVE

The objective of the annual financial statements is to provide information on the financial position, performance and changes in financial status of the Greater Giyani Municipality and demonstrates accountability useful to a wide range of users in making economic or political decisions.

1.2 BASIS OF PRESENTATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notices 991 and 992 of 2005.

These standards are summarised as follows:

GRAP 1: Presentation of financial statements.

GRAP 2: Cash flow statements.

GRAP 3: Accounting policies, changes in accounting estimates and errors.

GAMAP 4: Effects of changes in foreign exchange rates.

GAMAP 6: Consolidated financial statements and accounting for controlled entities.

GAMAP 7: Accounting for investments in associates.

GAMAP 8: Financial reporting of interests in joint ventures.

GAMAP 9: Revenue.

GAMAP 12: Inventories.

GAMAP 17: Property, plant and equipment.

GAMAP 19: Provisions, contingent liabilities and contingent assets.

GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards related to the municipality's separate financial statements.

Accounting policies for material transactions, events or conditions not covered by the above GRAP and/or GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such statements issued by the Accounting Practices Board.

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the above-mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual statements, except for IAS 19 / AC 116. An application for deviating from Gazette 30013 of 29 June 2007 to fully comply with IAS 19 / AC 116 for the 2007/2008 financial year was granted by National Treasury.

These accounting policies are consistent with those of the previous financial year.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GAMAP or GRAP.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1.3 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand and are rounded to the nearest Rand.

1.4 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.5 RESERVES

a) Government Grant Reserve

When items of property, plant and equipment are purchased from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit).

The purpose of this reserve is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation expenses that will be incurred over the estimated useful lives of the items of property, plant and equipment funded from government grants.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grants Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

b) Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

The purpose of this reserve is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from donations and public contributions is disposed of, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.6 PROPERTY, PLANT & EQUIPMENT

An item of property, plant and equipment which qualifies for recognition as an asset shall initially be measured at cost. Property, plant and equipment is stated at historical cost, less accumulated depreciation and impairment losses. Such assets are financed either by external loans, capital replacement reserve, government grants and contributions and donations.

The cost of an item of property, plant and equipment comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use.

Any trade discounts and rebates are deducted in arriving at the purchase price.

Directly attributable costs include the following:

- Cost of site preparation.
- Initial delivery and handling costs.
- Installation cost.
- Professional fees.
- Estimated cost of dismantling the asset.

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Where an item of property, plant and equipment is acquired at no cost, it is initially recognised at its fair value as at the date of acquisition.

Incomplete construction work is stated at historical cost and depreciated only when the asset is commissioned into use, and are accounted for in accordance with the exemptions in terms of Gazette 30013 of 29 June 2007.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Residual value

The residual value of an asset is determined as the estimate amount that could currently be obtained from the disposal of the asset. The residual values of assets are reviewed at each financial year end.

Depreciation

Depreciation is calculated at historical cost, using the straight-line method over the useful lives of the asset. Assets will be depreciated according to their annual depreciation rates based on the following estimated asset lives:

<u>Infrastructure Assets</u>	<u>Years</u>
Roads, pavements, bridges and storm water	10-30
Street names, signs and parking meters	5
Water reservoirs and reticulation	15-20
Water meters	7
Car parks, bus terminals and taxi ranks	20
Electricity reticulation	15-30
Sewerage purification and reticulation	15-20
Housing	30
Street lighting	20-25
Refuse sites	30

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

<u>Community Years</u>		<u>Assets</u>
Parks	and	gardens
10–30		
Sport fields		10-
Community halls		30
Libraries		30
Recreation facilities		20-
Clinics		30
Fire services		30
Cemeteries		30
 <u>Other Assets</u>		
Motor vehicles		4–7
Plant and equipment		2-
Security		measures
Buildings		30
IT equipment		3-5
Office equipment		3–7
Specialised vehicles		15-

Land is not depreciated as it is regarded as having an infinite life.

Disposal of property, plant and equipment

The book values of assets are written off on disposal.

The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

1.7 FINANCIAL INSTRUMENTS

There are four categories of financial instruments: fair value through profit or loss (which includes trading), loans and receivables, held-to-maturity and available for sale. All financial assets that are within the scope of IAS 39 are classified into one of the four categories.

Financial instruments include cash and bank balance, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables. Financial instruments are accounted for in accordance with the exemptions in terms of Gazette 30013 of 29 June 2007.

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities in excess of 12 months. These are classified as non-current assets.

Loans and receivables are classified as "trade and other receivables" in the Statement of Financial Position.

Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are measured at amortised cost using the effective interest rate.

Accounts receivable

Trade and other receivables are recognised initially at cost which represents fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor and default or delinquency in payments of all debt outstanding for more than 150 days are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

When an under recovery occurs during the year an additional contribution for impairment is made from the accumulated surplus at year end.

Bad debts are written off during the year in which they are identified as irrecoverable.

Financial liabilities

Financial liabilities are recognised initially at cost which represents fair value. After initial recognition financial liabilities are measured at amortised cost using the effective interest rate.

Gains and losses

Gains and losses arising from changes in financial assets or financial liabilities at amortised cost are recognised in profit and loss when the financial asset or liability is derecognised or impaired through the amortisation process.

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

Investments held-to-maturity

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method.

Investments which include listed government bonds, unlisted municipal bonds, fixed deposits and short term deposits invested in registered banks are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss and this is recognised as an expense in the period that the impairment is identified.

Surplus funds are invested in terms of Council's Investment Policy. Investments are only made with financial institutions registered in terms of the Deposit Taking Institutions Act of 1990 with an A1 or similar rating institution for safe investment purposes.

The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet commitments.

Leases

Property, plant and equipment subjected to finance lease agreements are capitalised at their cost equivalent and the corresponding liabilities are raised.

The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life.

Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

Operating lease payments or receipts are recognised on the basis of the actual cash inflows and outflows as per the lease contract as permitted in terms of Gazette 30013 of 29 June 2007.

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

1.8 INVENTORY

The cost of inventories comprises of all costs of purchase, costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Consumable stores, raw materials, work in progress, unused water, and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities.

Redundant and slow-moving stock are identified and written down with regard to their estimated economic or realisable values and sold by public auction. Consumables are written down with regard to age, condition and utility.

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Water and purified effluent are valued at purified cost insofar as it is stored (controlled) in reservoirs and distribution networks at year end.

The process to identify immovable capital assets as inventory/stock are not finalised yet and were accounted for in terms of GAMAP 17 as permitted in terms of Gazette 30013 of 29 June 2007.

1.9 TRADE CREDITORS

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade creditors are recognise initially at cost price as permitted in terms of Gazette 30013 of 29 June 2007.

1.10 REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. No settlement discount is applicable.

Rendering of service

When the outcome of a transaction can be estimated reliably relating to the rendering of a service, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the reporting date.

The outcome of the transaction can be measured reliably when all of the following conditions are satisfied:

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

The amount of revenue can be measured reliably;
It is probable that the economic benefits or services potential associated with the transaction will flow to the entity;

The stage of completion of the transaction at the reporting date can be measured reliably; and

The cost incurred for the transaction and the cost to complete the transaction can be measured reliably.

This principle also applies to tariffs or charges.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses that are recoverable.

Sale of goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

The municipality has transferred to the purchaser the significant risks and rewards of ownership of goods;

The municipality retains neither continuing managerial involvement to the degree associated with ownership nor effective control over the goods sold;

The amount of revenue can be measured reliably;

It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and

The cost incurred or to be incurred in respect of the transaction can be measured reliably.

Finance income from sold housing by way of instalment sales agreements is recognised on a time proportion basis.

Revenue from the sale of erven is recognised when all conditions associated with the deed of sale have been met.

Rates, including collection charges and penalty interest

Revenue from rates including collection charges and penalty interest, shall be recognised when all the following conditions have been satisfied:

The amount of revenue can be measured reliably;

It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and

There has been compliance with the relevant legal requirements.

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

Service charges

Flat rate service charges and consumption-based service charges shall be recognised when:

It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
The amount of the revenue can be measured reliably.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property.

Service charges from sewerage and sanitation are based on standard tariffs approved from Council and are levied monthly.

Fines

Revenue from the issuing of fines is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Revenue from fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected.

Government Grants

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Government grants are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably; and
- To the extent that there has been compliance with any restrictions associated with the grant.

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

Other grants and donations received

Other grants and donations shall be recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably; and
- To the extent that there has been compliance with any restrictions associated with the grant.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment are brought into use.

Revenue from public contributions is recognised when all conditions have been met or where the contribution to property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Where public contributions have been received but the conditions were not met, a liability is recognised.

Levies

Levies shall be recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Interest, royalties and dividends

Revenue arising from the use of assets by others of the municipal assets yielding interest royalties and dividends shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset;

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified.

The income recognised is in terms of the agency agreement.

Collection charges are recognised when such amounts are incurred.

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the recovery of unauthorised irregular, fruitless and wasteful expenditure is based on legislated procedures.

Revenue are initially recognised at cost as permitted in terms of Gazette 30013 of 29 June 2007.

1.11 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation, as a result of past events, that is probable to cause an outflow of resources embodying economic benefits required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

1.12 CONTINGENT ASSETS

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. Contingent assets are not recognised as assets.

1.13 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities.

1.14 CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is raised.

1.15 CASH AND CASH EQUIVALENTS

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term investments that are held with registered banking institutions with maturities of 32 days or daily calls.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. Bank overdrafts are recorded on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.16 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 COMPARATIVE INFORMATION

Budgeted amounts have been included in the annual financial statements for the current financial year only. When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

1.20 RETIREMENT BENEFITS

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

The municipality contributes towards retirement benefits of its employees and councillors to the under-mentioned pension funds:

- Municipal Employees Pension Fund
- Municipal Gratuity Fund
- SALA Pension Fund

Councillors are members of the Municipal Councillor's Pension Fund that was established in terms of the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998).

Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

Contributions to the defined contribution pension plan in respect of service in a particular period are included in the employees' total cost of employment and are charged to the statement of financial performance in the year to which they relate as part of cost of employment.

1.21 BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

1.22 CONSUMER DEPOSITS

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to two months consumption of electricity and water services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

1.23 EVENTS AFTER BALANCE SHEET DATE

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note to the financial statements.

1.24 VALUE ADDED TAX

The municipality accounts for Value Added Tax on the cash basis.

1.25 TAXATION

The Municipality are exempted from tax in terms of Section 10(1)cB(i)(ff) of the Income Tax Act.

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

	2008 R	2007 R
2 RESERVES	25 821 482	(3 567 595)
2.1 Government Grants Reserve (utilized)		
Balance at beginning of the year	296 350.28	-
Acquisitions/ additions		355 620.33
Offsetting of depreciation	(71 123.46)	(59 270.06)
	225 226.82	296 350.28
3 ACCUMULATED SURPLUS/(DEFICIT)		
Accumulated surplus beginning of year	37 396 178	16 357 377
Operating surplus/(deficit) for the year	(23 673 690)	(19 924 973)
Changes in net assets	11 873 767	(296 350)
Change in accounting policy / error	-	-
Accumulated surplus: end of year	25 596 255	(3 863 946)
Refer to statement of changes in net assets for details		
4 OVERDRAFT	2008	2007
4.1 Bank overdraft balance-	R	R
The municipality operates an overdraft facility approved for a maximum limit of R7M as at 30 June 2008.	4 518 753	967 740
4.2 Correction of error-		
The unallocated deposits figure of R1,500,000 appearing in the bank reconciliation for 2006/2007 was adjusted to the opening bank overdraft balance of R2,467,740, which is now restated in the prior year comparatives as R967,740.		
5 TRADE AND OTHER PAYABLES	2008	2007
	R	R
Trade Creditors	7 551 882	-
Amounts received in advance:		
Consumer debtors		
Sundry debtors		
Other	216 185	9 467 636
Payroll creditors	4 156 826	-
Government grants & subsidies		
Staff leave	1 926 400	-
Unspent conditional grants	2 478 754	
Water trading (Mopani)	23 803 799	13 561 704
Total creditors	40 133 846	23 029 340

Creditors are recognised at cost and no interest was recognised as a result of any time value of money adjustments as permitted per gazette 30013 of 29 June 2007

NOTES TO FINANCIAL STATEMENTS

6 PROPERTY, PLANT & EQUIPMENT

	Land and Buildings R	Infrastructure R	Community Assets R	Other Assets R	Total R
Reconciliation of Carrying Value					
Carrying values at 1 July 2007	3 864 330	-	14 611 770	1 722 791	20 198 891
Cost	3 915 000		15 303 024	2 242 075	21 460 099
Accumulated depreciation – cost	(50 670)		(691 254)	(519 284)	(1 261 208)
Correction of error	-	-	-	-	-
Correction of error	-	-	-	-	-
Carrying values at 30 June 2007	3 864 330	-	14 611 770	1 722 791	20 198 891
Acquisitions/ additions	7 379 500		833 028	193 269	8 405 798
Depreciation – based on cost	(333 130)		(651 022)	(487 805)	(1 471 957)
Disposals					
Cost	-	-	-	(432 650)	(432 650)
Accumulated depreciation	-	-	-	100 950	100 950
Carrying values at 30 June 2008	10 910 700	-	14 793 776	1 096 556	26 801 032
Cost	11 294 500	-	16 136 052	2 002 694	29 433 247
Accumulated depreciation – cost	(383 800)	-	(1 342 276)	(906 138)	(2 632 215)

Land and buildings include administrative offices and municipal houses located in various sections of the Giyani township. Land and buildings were valued by MOD HOPE Property Valuer, registered independent valuers. The last valuation was performed as part of the general valuation of all properties within the municipal area for the compilation of the valuation roll in terms of the MPRA and approved by council for implementation with effect from 1 July 2008.

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

	2008 R	2007 R
7 INVESTMENTS		
Short Term Fixed Deposits	157 069	915 046
First National Bank	157 069	915 046
Total Investments	157 069	915 046
	2007 R	2006 R
8 INVENTORY		
Consumable stock	1 032 285	-
Total	1 032 285	-

Stock is recognised for the first time in the current financial year.

Take on values were determined through internal valuation, taking into account current prices and the condition of the stock items.

NOTES TO FINANCIAL STATEMENTS

9 CONSUMER DEBTORS

	Gross Balance R	Provision for Bad Debt R	Net Balance R
30 June 2008	14 108 882	(11 592 363)	2 516 519
Service debtors:			
Property rates	5 625 094	(4 621 778)	1 003 315
Sewerage	380 398	(312 549)	67 849
Refuse	8 103 390	(6 658 036)	1 445 355
Total	14 108 882	(11 592 363)	2 516 519

30 June 2007	7 739 719	(4 160 927)	3 578 792
Service debtors:			
Property rates	3 451 111	(1 855 342)	1 595 770
Sewerage	-	-	-
Refuse	4 288 607	(2 305 585)	1 983 022
Total	7 739 719	(4 160 927)	3 578 792

	2008 R	2007 R
--	-----------	-----------

AGEING OF CONSUMER DEBTORS

Property Rates		
Current (0-30 days)	224 495	258 837
31-60 days	346 885	111 608
61-90 days	222 167	132 054
91-120 days	110 661	111 444
121-150 days	106 636	81 417
151+ days	4 614 250	2 755 751

Sub-total **5 625 094** **3 451 111**

Services		
Current (0-30 days)	338 583	194 010
31-60 days	523 173	299 780
61-90 days	335 073	191 998
91-120 days	166 899	95 634
121-150 days	160 829	92 155
151+ days	6 959 231	3 415 031

Sub-total **8 483 788** **4 288 607**

Total consumer debtors **14 108 882** **7 739 719**

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

Made up as follows:

Current (0-30 days)

31-60 days

61-90 days

91-120 days

121-150 days

151+ days

563 078

870 058

557 241

277 560

267 465

11 573 481

452 846

411 388

324 052

207 078

173 572

6 170 782

Total

14 108 882

7 739 719

Debtors are recognised at cost as required in terms of gazette 30013 of 29 June 2007.

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

	2008 R	2007 R
10 OTHER RECEIVABLES		
Debtors - Agency services		
Debtor for water function (Mopani)	33 359 342	32 118 580
Other debtors	594 120	594 120
VAT	2 122 367	1 304 409
Total Other Debtors	2 716 488	1 898 530

Other debtors are recognised at cost as permitted in terms of gazette 30013 of 29 June 2007.

	2008 R	2007 R
11 CASH AND CASH EQUIVALENTS		
The municipality has the following bank accounts:		
First National Bank: Giyani		
Account number : 6203 0539 764		
Type : cheque account		
Current account (salary bank account)		
Bank statement balance at beginning of year	8 908	9 268
Bank statement balance at end of year	250 052	8 908
Cash book balance at beginning of year	8 908	9 368
Increase/(decrease) in cash book balance	241 145	(460)
Cash book balance at end of year	250 052	8 908
First National Bank: Giyani		
Account number : 6212 0531 696		
Type : call deposit account		
Bank statement balance at beginning of year	44 474	-
Bank statement balance at end of year	73 104	44 474
Cash book balance at beginning of year	44 474	-
Increase/(decrease) in cash book balance	28 630	44 474
Cash book balance at end of year	73 104	44 474
First National Bank: Giyani		
Account number : 6212 0531 985		
Type : call deposit account		
Bank statement balance at beginning of year	121 930	-
Bank statement balance at end of year	177 331	121 930
Cash book balance at beginning of year	121 930	-
Increase/(decrease) in cash book balance	55 400	121 930
Cash book balance at end of year	177 331	121 930
Total cash resources	500 487	175 312

Disclosure in terms of the MFMA, 2003, Section 125(2)(a).

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

12 PROPERTY RATES

REVENUE

	2008	2007
	R	R
Assessment rates	1 690 778	1 457 192

VALUATIONS

Type note here example:

The last property valuation was done in terms of the provincial ordinances for the period ending 30 June 2007. Council has as at 30 June 2008 approved a new valuation roll compiled in terms of the MPRA for implementation with effect from 1 July 2008.

	2008	2007
	R	R
13 Service charges - refuse removal	2 435 699	1 810 816
14 Service charges - sewerage and sanitation	716 177	-

2008	2007
R	R

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

15 GOVERNMENT SUBSIDIES & GRANTS

Operating Grants

	51 324 590	55 082 155
Equitable share	46 913 388	43 468 933
Transfer from the District (MDM)	3 041 744	8 336 884
Finance management grant (FMG)	500 000	500 000
DLG&H Others	36 528	1 900 000
LG SETA	98 930	142 338
Municipal systems improvement grant (MSIG)	734 000	734 000

Capital Grants

	14 388 987	13 033 848
Department of local government and housing (PHP)	-	2 823 994
Municipal infrastructural grant (MIG)	11 348 095	5 841 221
LEDET	2 000 000	2 000 000
Development Bank (SA) (DBSA)	1 040 892	2 368 633

Total Government Grants & Subsidies

65 713 576	68 116 004
-------------------	-------------------

Equitable Share

This grant is an unconditional grant and is partially utilized for the provision of indigent support through free basic services. Registered indigents receive a rebate of 6KL for water and 100% discount for assessment rates subsidised from the equitable share

Finance Management Grant

Balance unspent at beginning of year	-	
Current year receipts	500 000	500 000
Conditions met – transferred to revenue	(500 000)	(500 000)

Unspent amount transferred to liabilities

-

The whole grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met and no funds have been withheld.

Municipal Systems Improvement Grant

Balance unspent at beginning of year	735 000	735 000
--------------------------------------	---------	---------

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

Current year receipts	(735 000)	(735 000)
Conditions met – transferred to revenue		

This grant was used to build in-house capacity for IT systems, development of valuation roll and related policies & by-laws and improving the functionality of wrd committees. The conditions of the grant were met and no funds have been withheld.

LEDET

Balance unspent at beginning of year	-	
Conditions met – transferred to revenue	2 000 000	2 000 000
Current year receipts	(2 000 000)	(2 000 000)

Provincial LED projects grants are used for the planning and implementation of job creation and poverty alleviation projects. The grant was used in GGNRDP commercialisation and beneficiation projects.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	
Current year receipts	11 348 095	5 841 221
Conditions met – transferred to revenue	(8 869 341)	(5 841 221)

Unspent amount transferred to liabilities

2 478 754	-
------------------	----------

(see note 5)

This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of poor households. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

DBSA

Balance unspent at beginning of year	-
--------------------------------------	---

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

Conditions met – transferred to revenue	1 040 892	2 368 633
Current year receipts	(1 040 892)	(2 368 633)
DBSA grants are used to promote the commercialisation and beneficiation of natural based resources for the economic empowerment of local communities.		

	2008	2007
	R	R
16 OTHER REVENUE		
Clearance certificates	2 758.79	3 043.52
Confirmation letters	44 247.18	32 705.77
Registration & transfer	94 228.12	82 533.10
Registration of suppliers	-	644.74
Re-issue of statements	1 889.44	403.47
Sale of tender documents	107 450.00	62 000.00
Sundry income	107 285.03	225 448.73
Sale of grave plots	30 593.84	28 636.52
Sale of refuse bins	4 728.02	-
Uncleared traffic income/ deposits	-13 215.35	-
Water connection	2 149.12	4 166.68
Water re-connection	32 193.17	67 612.56
Building plans	36 494.05	35 820.99
Cutting of trees	1 578.94	6 140.35
Escort fees	173.25	2 701.72
House loans	97 447.37	78 548.82
Maintenance	5 657.89	1 905.28
Sewer connection	21 561.39	27 322.78
Sewer unblocking	40 088.91	42 414.93
Total	617 309	702 050

Page 30

17 EMPLOYEE RELATED COSTS

17.1 Salaries and wages - officials

	2008	2007
	R	R
Salaries and wages	#####	#####
Basic salaries	#####	#####

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

Overtime	662 366.42	803 085.43
Accrued leave	1 926 400.00	-
Annual bonus	1 974 550.65	1 838 687.54
Performance bonus	-	86 058.20
Pension/ provident funds	6 111 115.69	5 812 580.72
Medical aid funds	392 688.66	286 672.90
Cellphone allowance	530 481.60	578 122.19
Car allowance	3 411 051.74	2 763 614.08
Clothing allowance	2 500.00	7 500.00
Housing assistance	259 397.31	197 068.30
SALGA levy	15 870.60	15 374.04
UIF contributions	269 411.04	295 222.11
Total employee related cost	50 471 094	44 610 304

17.2 Remuneration of Managers

Municipal Manager	629 320	653 095
Annual remuneration	493 030	425 257
Allowances	136 290	159 338
Performance bonus	-	68 500
Chief Finance Officer	500 491	482 601
Annual remuneration	326 857	302 502
Allowances	173 634	140 000
Performance bonus	-	40 099
Manager Corporate Services	452 973	472 544
Annual remuneration	322 710	-
Allowances	130 264	-
Manager Engineering	500 411	501 746
Annual remuneration	337 461	-
Allowances	162 950	-
Performance bonus	-	45 959
Manager Community Development	427 967	468 613
Annual remuneration	301 120	
Allowances	126 847	
Total	2 511 162	2 578 599

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

	2008 R	2007 R
17.3 Remuneration of councillors		
Mayor	498 359	421 659
Annual remuneration	372 569	
Travelling allowance	111 390	
Cellphone allowance	14 400	
Speaker	401 047	342 659
Annual remuneration	297 536	
Travelling allowance	89 111	
Cellphone allowance	14 400	
Chief Whip	360 584	350 920
Annual remuneration	262 640	
Travelling allowance	83 545	
Cellphone allowance	14 400	
EXCO members	1 933 704	1 509 189
Annual remuneration	1 439 268	
Travelling allowance	413 544	
Cellphone allowance	80 892	
Councillors -	11 225 290	9 694 240
Basic salaries	7 582 926	6 398 984
Pension funds	821 275	764 459
Medical aid funds	11 250	11 642
Travelling allowances	2 278 922	1 893 948
Cellphone allowances	530 482	578 122
UIF	435	47 086
Total councillor's remuneration	11 225 290	9 694 240

The Mayor, Speaker and Chief Whip are full time. Each is provided with an office and only the Mayor is provided with a secretarial support at the cost of Council.

The Mayor has use of a Council owned vehicle and driver for official duties.

Disclosure in terms of the MFMA, 2003, Section 124(1)(a)

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

18 FINANCE COST	2008 R	2007 R
Interest on overdraft	314 050	72 195
The municipality has no external loans. The municipality has an approved overdraft facility of R5M on its primary bank account, cheque account number 6020 428 8103.	-	
19 CONTRACTED SERVICES	2008 R	2007 R
Contracted services comprises outsourced services and services as per existing service level agreements.	3 034 018	2 085 083
20 GENERAL EXPENSES	2008 R	2007 R
Administrative costs	16 832 337	19 281 800
Capital projects	15 603 749	27 613 400
	32 436 086	46 895 200
General expenses include administrative costs, capital acquisitions not meeting the assets recognition criteria as per fixed assets policy and infrastructure project costs not yet recognised.		

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

21 CORRECTION OF ERRORS

21.1 PPE

The correction of error relates to the use of the capitalisation reserve for initial recognition of items of PPE instead of the accumulated surplus as the assets take on did not involve the unbundling of pre-GAMAP reserves.

	<u>2008</u> <u>R</u>	<u>Comparative</u>
Gross amount	-	<u>(7 282 386)</u>

21.2 Capitalisation reserve

Correction of error relates to accumulated depreciation on land and buildings previously calculated based on the total cost instead of the value of improvements.

	<u>2008</u> <u>R</u>	<u>Comparative</u>
Gross amounts		
Gross amount		<u>(27 884 479)</u>

21.3 Creditors provisions write-back

The correction of error relates to provisions for creditors incorrectly raised in the past because of uncleared items in the bank reconciliation.

	<u>2008</u> <u>R</u>	<u>Comparative</u>
Gross amount	-	<u>3 390 858</u>

21.4 Doubtful debt provision - water

The correction of error relates to reversal of doubtful debt provision raised in respect of water which is actually a function of MDM and should not be provided for by Greater Giyani.

	<u>2008</u> <u>R</u>	<u>Comparative</u>
Gross amounts	-	<u>17 267 173</u>

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

22 ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003

22.1 PAYROLL RELATED DISCLOSURES

	2008	
	R	
22.1.1 Contribution to SALGA		
Council membership fees payable	382 349	
Amount paid current year	(307 349)	
Balance unpaid (included in creditors)	75 000	
	2008	2007
	R	R
22.1.2 Pay as You Earn (PAYE)		
Current payroll deductions	4 121 034	
Amount paid current year	(5 332 958)	
Balance unpaid	1 211 925	-
22.1.3 Unemployment Insurance Fund (UIF)		
Current payroll deductions	539 152	
Amount paid current year	(717 144)	
Balance unpaid	177 992	-
22.1.4 Medical Aid		
Current payroll deductions	642 257	
Amount paid current year	(642 257)	
Balance unpaid	-	-
22.1.5 Pension Fund		
Current payroll deductions	9 044 862	
Amount paid current year	(11 048 950)	
Balance unpaid	2 004 089	-

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

	2008	
	R	
22.2 Audit Fees		
Current year audit fee	220 000	230 000
Amount paid current year	755 793	219 869
Balance unpaid (included in creditors)	975 793	449 869

The municipality has not raised provision for the 2007/2008 audit as it will be paid directly by MDM from their MSIG grant provision for the local municipalities within the District.

	2008	
	R	
22.3 VAT		
Output Tax	1 002 093	
Input Tax	(2 932 229)	
Amount received current year	1 620 039	
Balance outstanding (to)/from SARS	(310 097)	-

VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS. VAT for June 2008 is accounted for in the VAT returns for the June - July 2008 period.

NOTES TO FINANCIAL STATEMENTS

22.4 DISCLOSURES CONCERNING COUNCILLORS

Section 124(1)(b)
The following councillors
had arrear accounts
outstanding for more than
90 days as at 30 June
2008:

The municipality did not identify any accounts for councillors in respect of rates and services which were in arrears for more 90 days.

22.5 DEBTS BY GOVERNMENT INSTITUTIONS

	Outstanding 30 June 2008	Current	Less than 90 days	Over 90 days
Department of Education & Schools	392 595.56	7 779.81	24 047.65	360 768.10
LEDET	1 858.43	1 858.43	-	-
Department of Health	144 929.69	72 608.45	31 503.03	40 818.21
Department of Transport	17 185.45	3 752.90	8 415.09	5 017.46
Department of Public Works (National)	102.25	102.25	-	-
Department of Public Works (provincial)	323 645.23	95 334.79	204 669.99	23 640.45
Total	880 316.61	181 436.63	268 635.76	430 244.22

In terms of the section,
National Treasury was
informed of the arrear
accounts of schools for
periods of more than 30
days.

GREATER GIYANI MUNICIPLITY

NOTES TO FINANCIAL STATEMENTS

	2008 R	2007 R
23 Cash generated by operations		
Surplus/ (deficit) for the year	(23 673 690)	(6 363 269)
Adjusted for -		
Depreciation	1 471 957	1 345 222
Contribution to bad debt provision	7 431 436	9 428 100
Profit on disposal	(598 949)	
Cost of finance	314 050	72 195
Investment income	(231 612)	(227 840)
Surplus/ (deficit) before working capital movement	(15 286 808)	4 254 408
Working capital movement -		
(Increase)/ decrease in consumer debtors	(7 609 924)	(9 428 129)
(Increase)/ decrease in other receivables	(817 958)	175 498
(Increase)/ decrease in inventories	(1 032 285)	-
Increase (decrease) in trade creditors	20 981 222	6 076 779
Increase (decrease) in other creditors	2 478 754	848 899
	13 999 808	(2 326 954)
Cash generated by (utilised in) operations	(1 287 000)	1 927 455

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 30 June 2008

	Pre GAMAP Funds and Reserves	Capital Replacement Reserve	Capitalization Reserve	Government Grant Reserve	Donation & Public Contribution Reserve	Self Insurance Reserve	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R	R
2007									
Opening balance			27 884 479				-	16 357 377	44 241 856
Changes in accounting policy (note 38)							-	-	-
Correction of error (note 29)							-	-	-
Correction of error (note 29)							-	-	-
Changes in accounting policy (note 38)							-	-	-
Changes in accounting policy (note 38)							-	-	-
Changes in accounting policy (note 38)							-	-	-
Restated balance	-	-	27 884 479	-	-	-	-	16 357 377	44 241 856
Net surplus for the year	-	-	-	-	-	-	-	-	-
Appropriations	-	-	-	-	-	-	-	-	-
Other income/expenditure	-	-	-	-	-	-	-	-	-
Investment property	-	-	-	-	-	-	-	-	-
Property, plant and equipment purchased	-	-	-	355 620	-	-	-	(355 620)	-
Capital grants used to purchase PPE	-	-	-	-	-	-	-	-	-
Donated/contributed PPE	-	-	-	-	-	-	-	-	-
Contributions to insurance reserve	-	-	-	-	-	-	-	-	-
Insurance claims processed	-	-	-	-	-	-	-	-	-
Transfer to Housing Development Fund	-	-	-	-	-	-	-	-	-
Asset disposals	-	-	-	-	-	-	-	-	-
Offsetting of depreciation	-	-	(1 285 952)	(59 270)	-	-	-	1 345 222	-
Balance at 30 June 2007	-	-	26 598 527	296 350	-	-	-	17 346 979	44 241 856
2008									
Correction of error (note 32)	-	-				-	-	(7 282 386)	(7 282 386)
Correction of error			(26 598 527)					26 598 527	-
Changes in accounting estimate	-	-	-	-	-	-	-	-	-
Restated balance	-	-	-	296 350	-	-	-	36 663 120	36 959 470
Net surplus for the year	-	-	-	-	-	-	-	-	-
Appropriations	-	-	-	-	-	-	-	-	-
Other income/expenditure	-	-	-	-	-	-	-	-	-
Transfer to CRR	-	-	-	-	-	-	-	-	-
Property, plant and equipment purchased	-	-	-	-	-	-	-	8 405 798	8 405 798
Capital grants used to purchase PPE	-	-	-	-	-	-	-	-	-
Donated/contributed PPE	-	-	-	-	-	-	-	-	-
Contributions to insurance reserve	-	-	-	-	-	-	-	-	-
Insurance claims processed	-	-	-	-	-	-	-	-	-
Transfer to Housing Development Fund	-	-	-	-	-	-	-	-	-
Asset disposals	-	-	-	-	-	-	-	-	-
Offsetting of depreciation	-	-		(71 123)		-	-	-	(71 123)
Balance at 30 June 2008	-	-	-	225 227	-	-	-	45 068 918	45 294 144

GREATER GIYANI MUNICIPALITY

FINANCIAL STATEMENTS

YEAR END FILE 2007/2008

INDEX

SCHEDULE

TAB

TRIAL BALANCE	B
FINANCIAL STATEMENTS	C
D: NET ASSETS	D
K: REVENUE	EF
L: EXPENDITURE	GH
J: PAYABLES	IJ
I: PROPERTY, PLANT & EQUIPMENT	KL
E: CASH & CASH EQUIVALENTS	M
H: INVENTORIES	N
G: RECEIVABLES	OP
F: FIXED DEPOSIT	QR

APPENDIX E (2)
ACTUAL CAPITAL VERSUS BUDGET
Acquisition of Property, Plant and Equipment
for the year ended 30 June 2008

	2008 Actual R	2008 Under Construction R	2008 Total Additions R	2008 Budget R	2008 Variance R	2008 Variance %	Explanations of significant variances greater than 5% versus budget
EXECUTIVE & COUNCIL	256 729	-	256 729	363 000	(106 271)	(29.28)	
Executive & Council	256 729	-	256 729	363 000	(106 271)	(29.28)	Saving on computer software (Valuation programme).
FINANCE & ADMINISTRATION	3 063 665	114 402	3 178 067	7 115 895	(3 937 828)	(55.34)	
Finance	388 468	-	388 468	2 120 600	(1 732 132)	(81.68)	Savings on IT equipment, security cameras & Munsoft Classic Conversion.
Information Technology	915 478	-	915 478	1 638 000	(722 522)	(44.11)	Disaster recovery rolled over to 2007/2008.
Human Resources	219 616	-	219 616	267 600	(47 984)	(17.93)	Saving on finger print readers (clock system).
Property Services	840 717	-	840 717	1 593 300	(752 583)	(47.23)	Pounding storage and upgrading of Rates Hall rolled over to 2007/2008
Other & Admin	699 386	114 402	813 788	1 496 395	(682 607)	(45.62)	PABX telephone system rolled over to 2007/2008 and multi safes not executed.
PLANNING & DEVELOPMENT	17 418	658 708	676 126	3 955 000	(3 278 874)	(82.90)	
Planning & Development	17 418	658 708	676 126	3 955 000	(3 278 874)	(82.90)	Facilities for informal traders, surveying Rockdale and town establishment of Mafube Village rolled over to 2007/2008.
ROAD TRANSPORT	20 754 969	967 295	21 722 264	32 519 995	(10 797 731)	(33.20)	
Vehicle Licensing & Testing	163 830	801 654	965 484	1 021 000	(55 516)	(5.44)	Saving on furniture not purchased – moratorium.
Roads & Stormwater	20 314 389	165 641	20 480 030	29 738 995	(9 258 965)	(31.13)	Saving due to road projects rolled over to 2007/2008.
Roads Other	276 750	-	276 750	1 760 000	(1 483 250)	(84.28)	Taxi facilities rolled over to 2007/2008.
HEALTH	109 307	171 753	281 060	3 833 500	(3 552 440)	(92.67)	
Clinics	99 088	171 753	270 841	3 493 000	(3 222 159)	(92.25)	Construction of Tokologo Clinic rolled over to 2007/2008.
Health Other	10 219	-	10 219	340 500	(330 281)	(97.00)	Saving on air pollution monitoring equipment.

APPENDIX F
ACTUAL CAPITAL VERSUS BUDGET
Acquisition of Property, Plant and Equipment
for the year ended 30 June 2008

	2008 Actual R	2008 Under Construction R	2008 Total Additions R	2008 Budget R	2008 Variance R	2008 Variance %	Explanations of significant variances greater than 5% versus budget
COMMUNITY & SOCIAL SERVICES	1 479 334	5 715 400	7 194 734	23 507 569	(16 312 835)	(69.39)	
Libraries & Archives	20 094	-	20 094	33 000	(12 906)	(39.11)	Savings on installation of alarm systems and extension to software libraries.
Community Halls & Facilities	488 690	5 691 553	6 180 243	21 832 569	(15 652 326)	(71.69)	Erection of new banquet hall rolled over to 2007/2008.
Cemeteries & Crematoriums	970 550	23 847	994 397	1 642 000	(647 603)	(39.44)	Development of rural cemeteries rolled over to 2007/2008.
PUBLIC SAFETY	3 677 123	-	3 677 123	5 701 595	(2 024 472)	(35.51)	
Fire	1 548 738	-	1 548 738	3 264 420	(1 715 682)	(52.56)	Water tanker and water pump replacement rolled over to 2007/2008.
Traffic	2 128 385	-	2 128 385	2 437 175	(308 790)	(12.67)	VASCAR equipment for vehicles rolled over to 2007/2008.
SPORT & RECREATION	2 682 404	10 404	2 692 808	3 787 400	(1 094 592)	(28.90)	
Sport & Recreation	2 682 404	10 404	2 692 808	3 787 400	(1 094 592)	(28.90)	Development and upgrading of parks and facilities rolled over to 2007/2008
WASTE WATER MANAGEMENT	4 906 589	3 647 341	8 553 930	14 780 040	(6 226 110)	(42.13)	
Sewerage	4 906 589	3 647 341	8 553 930	14 780 040	(6 226 110)	(42.13)	Development and upgrading of sewerage structures and facilities rolled over to 2007/2008.
Public Toilets							
WASTE MANAGEMENT	2 307 229	401 931	2 709 160	3 947 000	(1 237 840)	(31.36)	
Solid Waste	2 307 229	401 931	2 709 160	3 947 000	(1 237 840)	(31.36)	Refuse transfer stations rolled over to 2007/2008 and savings on executed projects.
HOUSING	47 383	-	47 383	270 000	(222 617)	(82.45)	
Housing	47 383	-	47 383	270 000	(222 617)	(82.45)	Delivery period of supplier not in time for closing date of financial year - orders cancelled.

APPENDIX F
ACTUAL CAPITAL VERSUS BUDGET
Acquisition of Property, Plant and Equipment
for the year ended 30 June 2008

	2008 Actual R	2008 Under Construction R	2008 Total Additions R	2008 Budget R	2008 Variance R	2008 Variance %	Explanations of significant variances greater than 5% versus budget
WATER	6 949 791	446 096	7 395 887	17 556 460	(10 160 573)	(57.87)	
Water Distribution	6 418 581	446 096	6 864 677	16 925 460	(10 060 783)	(59.44)	Development and upgrading of water networks rolled over to 2007/2008
Water Storage	531 210	-	531 210	631 000	(99 790)	(15.81)	Water purification projects Presidentsrus and Vaalbank rolled over to 2007/2008.
ELECTRICITY	22 085 552	2 529 318	24 614 870	50 821 323	(26 206 453)	(51.57)	
Electricity Distribution	20 571 555	2 529 318	23 100 873	47 420 853	(24 319 980)	(51.29)	Electricity network projects rolled over to 2007/2008 and savings on executed projects.
Street Lighting	1 513 997	-	1 513 997	3 400 470	(1 886 473)	(55.48)	Streetlight projects rolled over to 2007/2008 and savings on executed projects
TOTAL	68 337 493	14 662 648	83 000 141	168 158 777	(85 158 636)	(50.64)	

GREATER GIYANI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

	2008 R	2007 R
24 INVESTMENT PROPERTY		
Property at cost	6 780 000	6 780 000
Additions	-	
Transferred to PPE	(6 780 000)	
Total	-	6 780 000

The municipality has taken advantage of the exemptions as per gazette 30013 of 29 June 2007. The municipality is still in a process of identifying investment property which is currently part of PPE. These items will be transferred once they have been identified in terms of the definition IAS 40 (AC 135).

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2008

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
Jul-07 Town Engineer	V&V Consultant	170 000.00	Sole provider.
Town Engineer	Power Pump Engineering	119 375.00	Emergency.
Aug-07 Town Electrical Engineer	Middelburg Nissan	3 443.70	Agents.
Sep-07 Municipal Building	Electra Highveld	530.70	Sole provider.
Town Electrical	Alstom Electrical	5 000.00	Manufacturer.
Human Resources	Association of Office	5 040.00	Sole provider.
Sep-07 Municipal Buildings	Electra Highveld	530.10	Sole provider.
Mayor's Office	Zicalele Trading	250.00	Preferred.
Public Relations	LSS Samsung	22 013.00	Sole provider.
Sep-07 Municipal Buildings	Airex	1 504.80	Sole provider.
Oct-07 Solid Waste Disposal	East Auto Hydraulic	1 500.00	Emergency.
Oct-07 Town Secretary	The Herald Newspaper	7 158.00	Preferred.
Nov-07 Licensing	SABS	730.74	Sole provider.
Town Secretary	The Herald Newspaper	2 556.45	Preferred.
Dec-07 Town Secretary	The Herald Newspaper	2 919.00	Emergency.
Town Secretary	The Herald Newspaper	2 840.00	Emergency.

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2008

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
Jan-08			
Solid Waste Disposal	McCarthy Kunene	843.15	Sole provider.
Licensing	Truvelo Manufacturers	1 279.05	Sole provider.
Feb-08			
Town Secretary	The Herald Newspaper	3 670.80	Contracted Providers
Solid Waste Disposal	Solly's Delta	13 001.97	Emergency
Mar-08			
Town Secretary	The Sowetan	1 941.00	Preferred.
Town Secretary	Government Gazette	1 000.00	Sole provider.
Town Secretary	The Herald Newspaper	1 000.00	Preferred.
Apr-08			
Town Secretary	The Herald Newspaper	500.00	Preferred.
Town Secretary	The Herald Newspaper	108 800.00	Preferred.
Town Secretary	The Herald Newspaper	500.00	Preferred.
May-08			
Licensing	Wonder Stationery	4 565.17	No reason specified.
Licensing	Variprint Systems	1 050.00	Sole provider.
Human Resources	Knowledge Base Sales	6 156.00	Emergency.
Jun-08			
Traffic & Security	GRS Medical	7 332.00	Sole provider.
Traffic & Security	Middelburg Nissan	8 777.00	Sole provider.
Licensing	Esaaks Appliances	33 995.00	One quote received.
		539 802.63	